

05-087-0001
05-088-0001
0002

AFFIDAVIT OF NONDEVELOPMENT

5/047/032

STATE OF UTAH)
) ss:
County of Salt Lake)

ENT 5730-91 BK 513 Pg 437-438
RANDY JAMES SIMMONS UTAH CO RECORDER
DATE 8-29-91 AT 9:26 Am Fee \$ 7.50
Dep Callen Rec for Lawitt, Asker + Bachtell

James L. Barnes, Vice President of Wembco, Inc., being first duly sworn, deposes and says:

That Wembco, Inc. is the present owner of the W $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 30, and the NE $\frac{1}{4}$ of Section 31, of Township 4 South, Range 21 East, SLM, Uintah County, Utah, which land is described in an Oil, Gas and Mineral Lease (the "Lease") executed on the 13th day of August, 1986, by the undersigned, for and on behalf of Wembco, Inc., as owner, and Asphalt Ridge Operating Company, as lessee, recorded August 13, 1986 in Book 412, Page 860, in the office of the Register of Deeds of said county, and assigned to Pyramid Mining, Inc. by Assignment dated June 1, 1988, and recorded September 12, 1988 in Book 453, Page 646, in the office of the Register of Deeds of said county.

That since the date of said lease, neither Asphalt Ridge Operating Company or Pyramid Mining, Inc. has been able to achieve the 15,000 tons per year of commercial quantities as referenced in the Lease.

Affiant further states that by reason of the noncompliance with the terms of the Lease by lessee and its assigns, affiant hereby declares said lease forfeited, and will not, by acceptance of rentals, or in any other manner, recognize the same as a valid or existing lease.

STATE OF UTAH)
) ss:
County of Salt Lake)

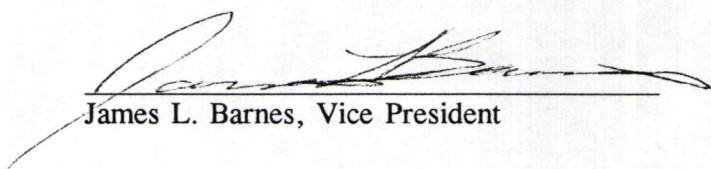
James L. Barnes, affiant herein, being first duly sworn deposes and says that he is the Vice President of Wembco, Inc. and that the above is true and correct to the best of his knowledge.

WEMBCO, INC.

RECEIVED

OCT 19 1993

DIVISION OF
OIL, GAS & MINING


James L. Barnes, Vice President

ACKNOWLEDGEMENT

438

STATE OF UTAH)
) ss:
County of Salt Lake)

On the 27th day of August, 1991, personally appeared before me James L. Barnes, who is the Vice President of WEMBCO, INC., who duly acknowledged to me that he executed said instrument for and in behalf of WEMBCO, INC.

Lori Horton
NOTARY PUBLIC

My Commission Expires:

1-17-93

Residing at:

Centerville, Ut



OIL, GAS AND MINERALS LEASE

5/047/032

THIS OIL, GAS AND MINERALS LEASE ("Lease" herein), made and entered into effective the 1st day of September, 1991, is by and between Wembco, Inc., a California Corporation, 727 South Orange Grove, #7, Pasadena, California, 91105, hereinafter called "Lessor" and Buena Ventura Resources Corporation, a Utah Corporation, 1850 Beneficial Life Tower, Salt Lake City, Utah 84111, hereinafter called "Lessee".

RECITALS:

Lessor is the owner of certain lands and other rights situated in Uintah County, Utah and more particularly described on Exhibit "A" attached hereto and made a part hereof and hereinafter referred to as the "Properties".

This Lease sets forth all the terms and conditions under which the Lessor grants Lessee a Lease of the "Minerals" (as defined below) in and under the Properties for the purposes and under the terms hereinafter provided.

For a good and valuable consideration, and in further consideration of the covenants and agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Lessor, the parties agree as follows:

1. Grant. Lessor does hereby grant, lease and demise the Properties unto Lessee, with the exclusive right and privilege during the term of this Lease to explore for and mine by any methods now known or hereafter developed, and to extract and sell or otherwise dispose of, any and all asphalt, bitumen, maltha, tar sands, oil, gas and any and all other minerals of whatever kind or nature, whether hydrocarbon, metalliferous, nonmetalliferous or otherwise, including, but not limited to, gold, silver, platinum, sands, clays and whether heretofore known or discovered ("Minerals" herein) in, on and under the Property together with the products and byproducts of the processing of the Minerals, and together with the right to use as much of the surface as may be necessary in the exercise of said rights and in furtherance of the purposes expressed herein, including ingress and egress, with the right to construct on the Properties such improvements as may be reasonably necessary to the exploration for and the mining, extraction, removal, processing, refining, sale or other disposition of the Minerals.

2. Term. This Lease is granted for a primary term of Five (5) years commencing from and after the date hereof. If within the primary term, Lessee has commenced, or has made its firm commitment to commence operations to begin production of any Minerals, then this Lease shall continue for an extended term from and after the primary term, and for so long thereafter as operations are conducted on a continuous basis, and Lessor receives not less than forty thousand dollars (\$40,000.00) in Royalties during each Lease year. During the extended term, operations shall be deemed conducted on a continuous basis unless and until a period of 365 consecutive days elapses in which no development, mining or processing operations are conducted on the Properties, excluding periods of Force Majeure as provided in paragraph 12 below.

RECEIVED

OCT 19 1993

DIVISION OF
OIL, GAS & MINING

3. Purposes/Restrictions. The purposes of this Lease are to grant to the Lessee the exclusive right to enter into and upon the Properties, and each and every part hereof so long as this Lease remains in effect, and to explore, develop, mine, drill, pump, process, produce and market the Minerals in, on, or under the Properties, including existing dumps owned by Lessor, whether by drilling, surface, strip, contour, quarry, bench, underground solution, in situ or other mining methods. Lessee shall have the right (1) to temporarily store or permanently dispose of Minerals, water, waste or other materials on the Properties; (2) to use and develop any and all ditches, flumes, water and water rights owned by Lessor and pertinent to the Properties; (3) to process, mill, beneficiate, concentrate, smelt, extract, refine, leach, convert or conduct other operations to prepare for market any and all Minerals on the Properties; and (4) to use so much of the surface and surface resources of the Properties as may be reasonably necessary in the exercise of said rights, or which Lessee may deem desirable or convenient, including rights of ingress and egress in connection with its operations on the Properties.

4. Royalties. As part of the consideration for the granting of this Lease, Lessee agrees to pay Lessor the following Advance/Minimum Royalties and Production Royalties:

(a) Advance/Minimum Royalty. Beginning on August 31, 1992, and before midnight on each annual anniversary of this Lease, Lessee will pay Lessor the following:

August 31, 1992	-	\$20,000.00
August 31, 1993	-	\$25,000.00
August 31, 1994	-	\$30,000.00
August 31, 1995	-	\$35,000.00
August 31, 1996 and each succeeding year	-	\$40,000.00

All Advance/Minimum Royalties shall accrue and be applied to reduce the Production Royalties which may become due and payable to Lessor as provided below.

(b) Production Royalty. Lessee agrees to pay Lessor the following production royalties on Minerals sold:

<u>Mineral</u>	<u>Royalty Rate</u>
1. Bitumen, Asphalt, Maltha, Tar Sands, Bituminous Sands and any other hydrocarbon mineral of whatever kind or nature which are associated with or contained in any tar sand deposit ("Hydrocarbon Minerals" herein)	The greater of: 10% Production Royalty on Net Returns; or \$.50 per ton of raw tar sands ore

<u>Mineral</u>	<u>Royalty Rate</u>
2. Oil (except Hydrocarbon Minerals under "1" above), Gas and Sulfur	12½ % of Market Price
3. All other Minerals	1 % of Market Price

save and except oil, gas or hydrocarbon Minerals used for development and operation purposes which shall be royalty free.

The term "Production Royalty on Net Returns" means the amount of money actually received by Lessee for the sale of Minerals, less, to the extent born by Lessee, Mining Costs, Transportation Costs, Processing Costs, and Extraction Taxes. The term "Mining Costs" means expenses and costs actually incurred by Lessee in the actual mining of the Minerals, including removal of overburden, mining and handling of the Minerals, and reclamation of the Properties, and also including maintenance and repairs to equipment and depreciation. The term "Transportation Costs" means the expenses and charges actually incurred by Lessee in transporting Minerals from the mine to the refinery or other place of processing and/or sale. Such costs shall include, but not be limited to, wages, rent, freight, shipment insurance, handling, port, delay, demurrage, lighterage, tug, forwarding costs, and transportation and other applicable taxes. The term "Processing Costs" means the amounts actually incurred by Lessee for processing or other beneficiation of the Minerals, including maintenance and repairs to equipment and depreciation. The term "Extraction Taxes" means sales, use, gross receipts, ad valorem, severance and other taxes due and payable in respect to severance, production, removal, sale or disposition of the Minerals, but excluding any taxes on net income. Minerals shall be deemed sold at the time the money is actually received by Lessee unless transferred by Lessee to an Affiliate. If Minerals or products are in any way transferred to an Affiliate, the Production Royalty shall be computed on the basis of the price received by the Affiliate. As used herein, "Affiliate" means any business entity the majority of the equity of which is owned or controlled by Lessee, or any entity or firm dealing with Lessee otherwise than at arm's length market prices.

For purposes of the payment of Royalties hereunder, the term "Lessor" as used herein shall mean all royalty owners of the Properties, including those owners whose names are listed on Exhibit "A" hereto.

(c) Production Royalty Payments. All payments of Production Royalties shall be made forty-five (45) days after the end of each calendar quarter (being 45 days after March 31, June 30, September 30, and December 31) and will be accompanied by a royalty settlement statement which will show the mathematical calculation of how the payment amount was calculated and will be accompanied with other appropriate documentation showing attributable deductions, including all Advance/Minimum Royalties paid, and sales records. If Lessor does not give Lessee written notice objecting to the payment amount within one (1) year, it shall be conclusively deemed correct.

In case of any dispute or question concerning the ownership of the royalty under this Lease, or any part thereof, Lessee may, at its election, deposit any disputed amounts into an interest bearing escrow account until the dispute is finally and conclusively resolved. Lessee may deduct from the escrow deposits and from amounts otherwise due the owner of the royalty which is disputed or in question, all costs and expenses, including attorney's fees, it actually incurs by reason of such dispute or question.

(d) Depository. All moneys which may become due and payable under the terms of this Lease to Wembco, Inc. shall be made by Lessee to Key Bank, Price Office, 690 East Main, Price, Utah 84501, Account #124302587, which Wembco, Inc. hereby appoints as its agent for the receipt of such payment or to such other organization as Wembco, Inc. may from time to time designate by written notice given to Lessee. All payments made to such Agent designated by Wembco, Inc. shall be considered to have been made to it, and having made payment to such Agent, Lessee shall be relieved of all responsibility or liability for the disbursement thereof.

5. Operations of Lessee. Lessee shall conduct all mining and other operations under this Lease in accordance with good mining practices and sound principles of conservation and in accordance with all applicable laws, rules and regulations promulgated by Federal, State and local authorities.

Lessee shall keep and maintain true and correct books of account and records which shall show the amount of Minerals produced and sold from the Properties, all costs and expenses associated with the calculation of Production Royalties, and the amount of proceeds derived from the sale of all Minerals produced and sold. Said books and records shall be open for inspection and audit by Lessor or its agents at all reasonable times and for a period of one (1) year following termination of this Lease, upon Lessor giving Lessee at least two (2) weeks advance notice.

Lessor expressly reserves the right, at Lessor's option and expense, to maintain an agent on the Properties for the purpose of verifying production, and to check, inspect and keep account of all production from said Properties; provided that such agent and any inspections made by him do not interfere with Lessee's operations.

6. Insurance/Indemnity. The parties specifically agree that Lessor shall not be liable to third parties, or employees, or agents of the Lessee for the activities and obligations of the Lessee during the term hereof. Prior to commencement of operations hereunder, Lessee shall obtain all workmen's compensation insurance, liability insurance, and policies of insurance against other risks for which Lessor may reasonably be considered to have exposure as a result of Lessee's operations or rights in the Properties. All insurance shall be maintained by Lessee at its own expense throughout the duration of this Lease, and whenever Lessor requests, Lessee shall furnish to Lessor evidence that all such insurance is being maintained.

Lessee agrees to indemnify and hold Lessor harmless from and against any and all liability, claims and causes of action for personal injury or death, damage to, or loss or destruction of property, and any other costs or obligations which may occur resulting from its operations on the

Properties, and from and against all liabilities and responsibilities for environmental damages, changes, fines and penalties of any and every kind. Lessor's right of indemnity in respect to environmental matters shall survive the Lease.

7. Assessment Work. Lessee shall perform Assessment Work for unpatented mining claims covered by this Lease for the period ending September 1, 1992, and thereafter for each annual period so long as this Lease remains in effect, as may be required by Federal, State and local law, and shall prepare and record, for and on behalf of the Lessor, all affidavit(s) of labor and improvements during each assessment year in order to maintain all unpatented claims in good standing in the name of the Lessor. Lessee shall provide Lessor with a copy of all such filings made in respect to the Properties. Lessee shall certify to Lessor at least ninety (90) days in advance of each September 1 that sufficient valid Assessment Work has been or will be completed to maintain each unpatented mining claim in good standing.

8. Assignment. Lessee may not sublease, assign or otherwise transfer any rights in whole or in part under this Lease without first receiving the written consent from Lessor, which consent shall not be unreasonably withheld. Lessor is deemed to have consented if notice detailing any objections is not received by Lessee within thirty (30) days after receipt of Lessee's notice that it intends to sublease, assign or transfer this Lease.

9. Taxes. From and after the date of this Lease, Lessee shall timely pay all taxes and assessments that accrue and may be levied or assessed against the Properties or against mineral production therefrom, except those taxes which Lessee is contesting in good faith, and except those taxes against the Properties for the first and last year, which taxes shall be pro-rated between Lessee and Lessor on the fraction of the year that the lease was in force.

10. Warranties, Title and Representations. Lessor makes no warranties, express or implied, as to the value or condition of the Properties, or existence or adequacy of any facility or equipment which are the subject of this Lease. However, Lessor will at all times during the term of this Lease furnish Lessee with any and all geological, production, metallurgical and other data which may be available to Lessor. Lessor takes no responsibility for the interpretation of such data.

Lessor does not warrant its title. Lessee has heretofore made all title examinations it deems appropriate, and its execution of this Lease constitutes acceptance of the title. Lessor agrees that it will upon demand promptly furnish to the Lessee copies of all documents and other evidence relating to the Lessor's claim of title, including but not limited to, copies of all patents, location notices and affidavits relating to Assessment Work.

Lessor agrees to notify the Lessee at once of any claim against Lessor's interest in the Properties, or that affects Lessor's grant under this Lease.

Lessor further agrees that at the option of the Lessee, Lessee may undertake the defense of any claim against Lessor's interest in the Properties or against this Lease at Lessee's expense. Upon request by Lessee, Lessor will deliver to the Lessee all evidence and information reasonably required to defend against such claim, and cooperate fully in such defense.

As an accommodation, Lessor and Lessee each agree to execute, during the term of this Lease, such additional documents and agreements as the other may reasonably require in connection herewith, provided that such additional document(s) or agreement(s) would not impose additional obligations upon or impair the rights of the accommodating party.

Lessor represents that it has full power and authority to execute this Lease on its own behalf, and that it is executing this Lease for, and on behalf of, all other royalty owners of the Properties, whose names are listed in Exhibit "A", and their successors or assigns.

11. Patenting of Claims. Lessee may proceed to patent all unpatented mining claims under this Lease in the name of Lessor, at such time as Lessor concurs that all work performed satisfies the requirements for patenting.

12. Force Majeure. In the event that Lessee shall be prevented from operating upon the Properties or from performing its obligations hereunder by reason of Acts of God, Government, the Utah Legislature, or of the common enemy, insurrection, riot, labor disputes, fire, explosion, flood, earthquake, interruption of transportation, inability to obtain permits, or other circumstances and matters which are beyond the reasonable control of Lessee, whether or not similar to those specifically enumerated herein, Lessee shall be relieved of its obligations hereunder, but only for the duration of such disruption; provided that an event of Force Majeure shall not excuse or otherwise relieve Lessee for any obligation to remit any royalty owed Lessor which becomes due and payable under the terms of this Lease, and the term of this Lease shall be extended for the period of time of such prevention, delay or disruption.

13. Termination. Lessee may at any time after the date hereof, surrender this Lease, provided written notice of termination is given to the Lessor not less than thirty (30) days prior to the effective date of such termination, after which all rights and obligations of Lessee hereunder shall cease, save and excepting all accrued obligations including any reclamation and similar obligations which were occasioned by Lessee's operations, which shall survive any termination. Lessee shall leave the Properties in such condition as shall be required by all applicable laws and regulations.

In the event of Lessee's failure to comply with any substantial and material provisions of this Lease, Lessor shall provide Lessee with written notice setting forth the nature of such non-compliance after the receipt of which, if the non-compliance relates to the payment of money, Lessee shall have not less than thirty (30) days to cure such non-compliance. If the non-compliance relates other than for the payment of money, Lessee shall have not less than forty-five (45) days to take, and to pursue diligently, appropriate action to cure the non-compliance. In the event Lessee fails to cure, or to commence appropriate action to cure the non-compliance within the prescribed period, Lessor may thereupon terminate this Lease by giving Lessee written notice to that effect. However, should there be an issue as to whether or not non-compliance has occurred, then the provisions of paragraph 14 below are applicable.

Upon termination of this Lease, Lessee shall deliver to Lessor within sixty (60) days following the effective date of said termination, a written release and quit claim deed releasing all

of the rights granted to and acquired by Lessee under this Lease, and quit claiming to Lessor all of the rights, title and interest of Lessee in and to the Properties.

14. Disputes. It is specifically agreed that should there arise any dispute between the parties hereto, such disputes shall not interrupt the performance of this Lease by either Lessee or Lessor, nor will Lessee's operations hereunder be interrupted, delayed, or impaired during the pendency of and until the final resolution of such dispute. In the event of litigation between the parties hereto, the prevailing party will be entitled to all costs of litigation, including but not limited to, costs of court, and reasonable attorney's and witness fees.

15. Notices. Notices which are to be delivered pursuant to the terms of this Lease shall be given in writing and shall be sent by certified mail, return receipt requested, to the parties at the following addresses:

Lessor:

Wembco, Inc.

Attention: James L. Barnes, Vice President
727 South Orange Grove, #7
Pasadena, CA 91105

Lessee:

Buena Ventura Resources Corporation

Attention: Thomas W. Bachtell, President
1850 Beneficial Life Tower
Salt Lake City, UT 84111

Notices shall be deemed effective when received. Any party may change its address for receipt of notices by sending notice of the change to the other party as provided for in this paragraph 15.

16. Miscellaneous Provisions.

(a) This Lease shall be interpreted and governed by the laws of the State of Utah. If any provision of this Lease is, for any reason, declared to be invalid or unenforceable, the validity of the remaining portions shall not be affected thereby;

(b) Failure of either party to enforce any provision hereof at any time shall not be construed as a waiver of such provision or of any other provisions; and

(c) This Lease supersedes all prior agreements between Lessor and Lessee relating to the Properties and constitutes the entire agreement thereof. No amendment or modification of this Lease shall be binding on either Lessor or Lessee unless made in writing and duly executed by both.

IN WITNESS WHEREOF the parties have executed this Lease effective as of the day and year first above written.

LESSOR:

WEMBCO, INC.

By *James L. Barnes*
James L. Barnes, Vice-President

LESSEE:

BUENAVENTURA RESOURCES
CORPORATION

By *Thomas W. Bachtell*
Thomas W. Bachtell, President

STATE OF UTAH)
) ss:
COUNTY OF SALT LAKE

On this 27 day of August, 1991, personally appeared before me James L. Barnes, who being by me duly sworn, did say, that he is the Vice-President of Wembco, Inc., and that said instrument was signed in behalf of said corporation by authority of its by-laws, and said James L. Barnes acknowledged to me that said corporation executed the same.

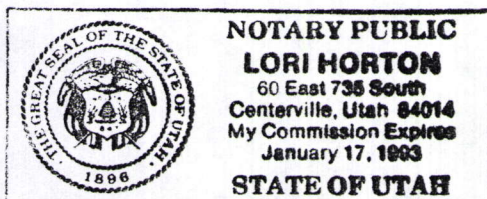
Lori Horton
NOTARY PUBLIC

Residing at:

Centerville, ut

My Commission Expires:

1-17-93



STATE OF UTAH)
) ss:
COUNTY OF SALT LAKE)

447

On this 27 day of August, 1991, personally appeared before me Thomas W. Bachtell, who being by me duly sworn, did say, that he is the President of Benua Ventura Resources Corporation, and that said instrument was signed in behalf of said corporation by authority of its by-laws, and said Thomas W. Bachtell acknowledged to me that said corporation executed the same.

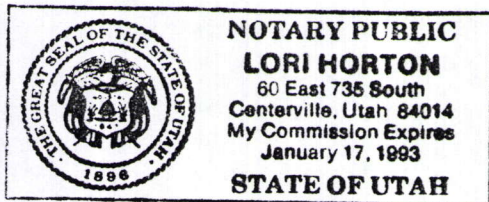
Lori Horton
NOTARY PUBLIC

Residing at:

Centerville, Ut

My Commission Expires:

1-17-93



A. Exclusive Right to Mine:

448

Township 4 South, Range 21 East, SLM

Section 31: W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$ (patented) 05-088-0002
SE $\frac{1}{4}$ (unpatented)

B. Non-Exclusive Right to Mine:*

Township 4 South, range 21 East, SLM

Section 30: W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$ 05-087-0001
Section 31: NE $\frac{1}{4}$ NE $\frac{1}{4}$ - except coal 05-088-0001

C. Lessee is also granted the right to use and occupy the surface only of the following lands:

Township 4 South, Range 21 East, SLM

Section 32: SW $\frac{1}{4}$ 05-089-0001; 50-183-0001

D. Full enjoyment and use of 2 cfs water rights

E. If for any reason, including but not limited to depletion of Minerals and Force Majeure situations, Lessee is prevented from commercial operations on property "A" and "B" above, Lessee is hereby granted the option to extend this Lease to the following property:

Township 4 South, Range 20 East, SLM

Section 23: S $\frac{1}{2}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ 04-007-0001; 50-192-0002
Section 24: S $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ 04-008-0002; 50-192-0002

The option shall expire at midnight on August 31, 2012, and shall be exercised by the written election and delivery of \$100.00 to Lessor, and the release of property "A" and "B" from this Lease.

Other royalty owners are: Lorin N. Pace, Randall Klimpt, William B. Parsons, III, Eric W. Bjorklund and William Seltzer.

* The parties acknowledge that Uintah County (Section 30) and the City of Vernal (Section 31) each own a prior reserved license to mine on said property.

EXHIBIT "A"